



## TEXTILE INSIGHT

The Global Textile Market With An American Point of View

### Achieving Unifi

**“Five years ago, we were not sure where the bottom was going to be. How much contraction would the U.S. market experience and how much would move entirely to Asia? But now our strategy is clear.” ~ Roger Berrier, EVP Unifi**

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By Emily Walzer

On a sunny day last September well over 1000 people turned out for a party at Unifi's Yadkinville, NC manufacturing facility. Employees jammed the parking lots while helping themselves to barbeque and enjoying a festive afternoon in honor of the company's recent positive financial performance.

The celebration came after two consecutive quarters of Unifi being in the black. A couple months earlier CEO Bill Jasper had visited Yadkinville, about 45 miles from Unifi's Greensboro, NC headquarters, telling plant workers that if the company continued the current trend of profitability throughout the summer months, it was time to get the grills fired up for a Fall celebration.

Jasper and the new executive team, including chief financial officer Ron Smith and executive VP Roger Berrier, have spent the better part of the past year instituting a contemporary strategic approach for the 40-year-old domestic yarn texturizer.

According to Berrier, current goals consist of getting the company profitable, fixing China and continuing to invest in the specialty business. “When we now evaluating our progress, we have executed on all three,” he said during a recent interview in Yadkinville.

“Like most domestic manufacturers we've had consolidation at home, worked to get established abroad and changed product lines,” explains Berrier, who has been at Unifi for 16 years. “We made difficult decisions but have weathered the storm in recent years.”

The global economic situation is not making for a sunny forecast. However, Unifi has had significant success with the launch of Repeve and future growth and strategic planning is geared around differentiated product. Already Unifi is investing in more development of Repeve product (a nylon version just was introduced) along with a new Web site and membership in the 1% for the Planet program. Further investment in resources, staff and support of all Unifi branded products is on course.

## **Domestic Commitment**

The past few years have been an evolution for Unifi and this is certainly evident in Yadkinville, where spinning and texturing takes place. The giant plant rises Oz-like in this serene rural landscape with the backdrop of North Carolina mountains visible on a clear day.

Inside, streamlined operations hum efficiently. Slick-looking and highly automated, the plant is loud and smells like, well, polyester. Shiny clean with a futuristic design, there are surprisingly few people, yet an enormous amount of polyester gets produced here. This is the next generation of Unifi.

A little more than a decade ago during the 1990s demand was growing and Unifi looked to expand. With what was then exceptional foresight, management did not build a standard commodities-type facility, but rather designed and constructed a plant for specialty products.

"If we replicated a commodity plant, I'm not sure where we'd be today," says Berrier. "This plant has allowed for new product development and offers flexibility for running different additives, different polymers and we can run multiple lots. We have decreased our dependency on outside suppliers. Now we make 70 percent and buy 30 percent," Berrier explains, referring to partially oriented yarn (POY).

The Yadkinville spinning plant was finished in 1998. The texturing side was built in 1995. The total facility is approximately 2.5-million square feet and employs 1125 workers. Prior to 1995 this site didn't exist; Unifi offices, warehousing, traffic and texturing plant, built in 1971, is located just down the road in Yadkinville.

At the time of construction special attention was paid to efficiency costs, so automation was high priority. The result is that now specialty products can be made here at fairly low cost economies. "We don't have to spend millions to re-tune this site," comments Berrier. "Instead we can spend to support future growth rather than modify old assets."

Approximately four million pounds are produced each week in Yadkinville. Some of the products produced are Repeve, Amy, Sorbtek, Micromattique, Satura, Satura Max, Softec and Sedora.

"Five years ago when initial changes got underway I thought to myself, this is the future and we know that," says spinning plant manager Kaye Flippin, a 30-year Unifi employee and a hands-on supervisor. Most morning Flippin is at the plant by six o'clock and spends her day walking, talking, checking, inspecting and making sure everything is running smoothly until the shift change at 7 pm. "I'm open-minded and believe in going forward," she states.

Just consider how the company has taken Repeve forward. Initial Repeve production was between 1-2 million pounds annually. Last year the facility pumped out almost 15 million pounds and according to Flippin the facility will have a product capacity of approximately 22 million pounds in 2009.

In addition to Yadkinville, Unifi also has locations in Madison and Reidsville, NC. Beaming, previously in Stanton, is moving to Yadkinville and this will complete the consolidation process of the past three years.

"We are now coming to the last piece of our consolidation asset strategy," Berrier explains. "Up until about 2001 to 2002 we were tapping out in Yadkinville and satellite operations popped up. However, as demand has decreased we have consolidated labor, reduced shipping costs and remained competitive. Moving Stanton here was the final piece of the plan."

Berrier is adamant that Unifi remains a domestic manufacturer and he believes there will always be demand for domestic suppliers. He cites growth in CAFTA as an example. "We may not see manufacturing coming back the way we knew it in 1990s, but we are seeing growth regionally with Central America, Mexico, the U.S. and Canada."

From a sourcing standpoint, the rising exchange rate in China, along with utilities and labor wages increasing in China – not to mention recent environmental infractions such as tainted milk – and domestic production has renewed appeal.

"But will that trend continue? Will it grow? Will it increase another 10 to 50 percent we are not sure, but we are seeing some growth," Berrier surmises, noting the validity of domestic manufacturing especially for niche businesses and shorter supply chains.

### **A Balanced Approach**

While the company may be rooted in North Carolina with Yadkinville a vital production and development base for new product, Unifi has sights set internationally as well. The company has facilities in Colombia, Brazil and China. And all development is done with a global platform approach.

"The company firmly believes there is a need for domestic manufacturing, but Unifi assumes a balanced manufacturing approach with conversation more often about doing business anywhere in the world," says Berrier. "We want a global manufacturing platform that enables us to make product in the U.S., and in China and in Brazil."

Our strategy as we introduce value-added products is to sell the brand on functionality and get the brand to commit to the product. Then we address the question of where do you want to do business," Berrier continues. "Ideally we can produce in locations best servicing the brand."

### **Repreve Goes Global**

Unifi has recently re-vamped its China operations. The company now operates through Unifi Textiles Suzhou Co., Ltd. (UTSC), a wholly owned China-based subsidiary focusing on the development, sales and service of Unifi's premium value-added yarns for the Asian market. Ed Wickes is president of UTSC, responsible for the company's day-to-day operations with an eye on creating new growth opportunities.

"UTSC is a great fit for us in China because it creates added flexibility and allows us to focus exclusively on the value-added customer base," says Berrier.

Further, Unifi will introduce Repreve nylon 6,6 to the Chinese market available through UTSC. "The addition of a recycled nylon 6,6 to the Repreve brand portfolio considerably expands the potential customer and product base for the product. And now with the product availability in Asia, this will further allow us to consistently supply high quality 100 percent recycled products wherever our customers choose to do business," Berrier states.

Repreve has been an engine for growth for Unifi here and abroad. The product, introduced in summer 2006, transcends the company's other branded products and provides a distinct Unifi story. As Repreve has been accepted in the marketplace Unifi has become identified with recycling. Increasingly brands come directly to Unifi for information, essentially leap-frogging the mills and fabric makers.

"In the '90s we were the 8000-pound gorilla in the business. We made product, and would pick up the phone and ask who wants a truck load and we developed a culture, but had a low profile with media. We didn't develop anything, nor did we market," recalls Berrier. "Now we develop differentiated product, we go to customers to talk about product. Repreve has allowed us to break down the stereotypes of a commodity producer. People look to us for something new and innovative. And it has set Unifi on a different path."

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